

Fact Sheet

Module 10 – Education Credits

Taxpayers have two credits available to help offset the costs of higher education, by reducing their income tax. These credits are the Hope Credit and Lifetime Learning Credit, also referred to as education credits.

The requirements for taking these credits depend on:

- the taxpayer's filing status and AGI or MAGI
- eligible education institution
- qualified tuition and related expenses

The Hope and Lifetime Learning Credits are claimed on Form 8863, which can be filed with either Form 1040 or Form 1040A.

Form 8863 Department of the Treasury Internal Revenue Service (99) Name(s) shown on return	Education Credits (Hope and Lifetime Learning Credits) ▶ See instructions. ▶ Attach to Form 1040 or Form 1040A.	OMB No. 1545-0074 <div style="font-size: 2em; font-weight: bold;">2007</div> Attachment Sequence No. 50				
		Your social security number				
<p>Caution:</p> <ul style="list-style-type: none"> • You <i>cannot</i> take the Hope credit and the lifetime learning credit for the <i>same student</i> in the same year. • You <i>cannot</i> take both an education credit and the tuition and fees deduction (see Form 8917) for the <i>same student</i> in the same year. 						
Part I Hope Credit. Caution: You <i>cannot</i> take the Hope credit for more than 2 tax years for the <i>same student</i> .						
1	(a) Student's name (as shown on page 1 of your tax return) First name Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions). Do not enter more than \$2,200 for each student.	(d) Enter the smaller of the amount in column (c) or \$1,100	(e) Add column (c) and column (d)	(f) Enter one-half of the amount in column (e)
2	Tentative Hope credit. Add the amounts on line 1, column (f). If you are taking the lifetime learning credit for another student, go to Part II; otherwise, go to Part III					2
Part II Lifetime Learning Credit						
3	(a) Student's name (as shown on page 1 of your tax return) First name Last name		(b) Student's social security number (as shown on page 1 of your tax return)		(c) Qualified expenses (see instructions)	
4	Add the amounts on line 3, column (c), and enter the total					4
5	Enter the smaller of line 4 or \$10,000					5
6	Tentative lifetime learning credit. Multiply line 5 by 20% (.20) and go to Part III					6

Education Credits Requirements and Limits

The requirements for claiming these credits include:

- filing status and modified adjusted gross income (AGI) of the taxpayer
- whether the student and the educational institution are eligible
- what the expenses were for—only tuition and related expenses qualify
 - related expenses are course-related books, supplies and equipment, and student activities

Taxpayers whose modified AGI is \$57,000 or more (\$114,000 if married filing jointly) are not eligible to take either credit.

For taxpayers whose modified AGI is over \$47,000 (over \$94,000 if married filing jointly), these credits are gradually reduced to allow for only partial credits.

Hope Credit

The Hope Credit allows taxpayers to claim a credit of up to \$1,650 based on qualified tuition and related expenses paid for each eligible student. To be eligible for the credit, the student must be:

- Enrolled in a program that leads to a degree, certificate or other recognized educational credential
- Taking at least one-half of the required workload for the course of study for at least one academic period beginning during the calendar year
- Enrolled as a freshman or sophomore (in other words, has not completed the first two years of postsecondary education)
- Free of any felony conviction for possessing or distributing a controlled substance

Lifetime Learning Credit

Taxpayers may claim a Lifetime Learning Credit of up to \$2,000 based on qualified tuition and related expenses paid for *all* eligible students enrolled in eligible educational institutions.

The Lifetime Learning Credit is based on the total qualified education expenses paid by the taxpayer and not on the number of eligible students. Education expenses that qualify for the Lifetime Learning Credit are for courses:

- taken as part of a postsecondary degree program, or
- taken to improve or acquire job skills

The amount of the Hope Credit is gradually reduced as taxpayers' income increases.

There is no limit on the number of years the Lifetime Learning Credit can be claimed.